

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**

**Project Staff Report  
Tax-Exempt Bond Project  
December 8, 2021**

Algarve Apartments, located at 1135 East Santa Clara Street in San Jose, requested and is being recommended for a reservation of \$2,846,353 in annual federal tax credits to finance the new construction of 90 units of housing serving special needs tenants with rents affordable to households earning 30-50% of area median income (AMI). The project will be developed by Reed Community Partners LLC and will be located in Senate District 15 and Assembly District 27.

The project will be receiving rental assistance in the form of HUD Section 8 Project-based Vouchers.

**Project Number** CA-21-706

**Project Name** Algarve Apartments  
**Site Address:** 1135 East Santa Clara Street  
San Jose, CA 95116 County: Santa Clara  
**Census Tract:** 2.00

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total</b>
Requested:	\$2,846,353	\$0
Recommended:	\$2,846,353	\$0

**Applicant Information**

**Applicant:** Algarve Apartments Development, LP  
**Contact:** Scott Reed  
**Address:** 1050 Southwest 6th Avenue, Suite 1100  
Portland, OR 97204  
**Phone:** 503-974-7555  
**Email:** scott@reedcommunity.com

**General Partner(s) or Principal Owner(s):** Reed Realty Advisors LLC  
Allied 2095 Evans LLC

**General Partner Type:** Joint Venture

**Parent Company(ies):** Reed Community Partners LLC  
Allied Housing

**Developer:** Reed Community Partners LLC

**Bond Issuer:** City of San Jose

**Investor/Consultant:** CREA, LLC

**Management Agent:** John Stewart Company

**Project Information**

Construction Type: New Construction  
 Total # Residential Buildings: 1  
 Total # of Units: 91  
 No. / % of Low Income Units: 90 100.00%  
 Federal Set-Aside Elected: 40%/60%  
 Federal Subsidy: Tax-Exempt / HUD Section 8 Project-based Vouchers (46 units - 51%)

**Information**

Housing Type: Special Needs  
 Geographic Area: South and West Bay Region  
 TCAC Project Analyst: Sarah Gullikson

**55-Year Use / Affordability**

<u>Aggregate Targeting Number of Units</u>	<u>Percentage of Affordable Units</u>
30% AMI: 47	52%
50% AMI: 43	48%

**Unit Mix**

42 SRO/Studio Units  
 21 1-Bedroom Units  
28 2-Bedroom Units  
 91 Total Units

<u>Unit Type &amp; Number</u>	<u>2021 Rents Targeted % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
35 SRO/Studio	30%	\$743
10 1 Bedroom	50%	\$1,327
1 2 Bedrooms	30%	\$955
1 SRO/Studio	30%	\$743
5 1 Bedroom	30%	\$796
5 2 Bedrooms	30%	\$955
6 SRO/Studio	50%	\$1,238
6 1 Bedroom	50%	\$1,327
21 2 Bedrooms	50%	\$1,592
1 2 Bedrooms	Manager's Unit	\$0

### **Project Cost Summary at Application**

Land and Acquisition	\$4,126,670
Construction Costs	\$38,128,090
Rehabilitation Costs	\$0
Construction Hard Cost Contingency	\$1,842,656
Soft Cost Contingency	\$1,409,000
Relocation	\$0
Architectural/Engineering	\$2,890,945
Const. Interest, Perm. Financing	\$3,580,280
Legal Fees	\$620,000
Reserves	\$1,144,000
Other Costs	\$2,541,772
Developer Fee	\$7,139,682
Commercial Costs	\$0
<b>Total</b>	<b>\$63,423,095</b>

### **Residential**

Construction Cost Per Square Foot:	\$580
Per Unit Cost:	\$696,957
True Cash Per Unit Cost*:	\$645,848

<b>Construction Financing</b>		<b>Permanent Financing</b>	
<u>Source</u>	<u>Amount</u>	<u>Source</u>	<u>Amount</u>
Specialty Finance Group: Tax-Exempt	\$32,532,700	Specialty Finance Group: Tax-Exempt	\$11,157,588
Santa Clara County (Measure A)	\$11,500,000	Santa Clara County (Measure A)	\$11,500,000
City of San Jose	\$10,500,000	City of San Jose	\$10,500,000
Deferred Developer Fee	\$4,792,057	Deferred Developer Fee	\$4,650,892
Tax Credit Equity	\$4,098,338	Tax Credit Equity	\$25,614,615
		<b>TOTAL</b>	<b>\$63,423,095</b>

\*Less Fee Waivers, Seller Carryback Loans, and Deferred Developer Fee

### **Determination of Credit Amount(s)**

Requested Eligible Basis:	\$54,737,565
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$71,158,835
Applicable Rate:	4.00%
Total Maximum Annual Federal Credit:	\$2,846,353
Approved Developer Fee (in Project Cost & Eligible Basis):	\$7,139,682
Investor/Consultant:	CREA, LLC
Federal Tax Credit Factor:	\$0.89991

Except as allowed for projects basing cost on assumed third party debt, the “as if vacant” land value and the existing improvement value established at application for all projects, as well as the eligible basis amount derived from those values, shall not increase during all subsequent reviews including the placed in service review, for the purpose of determining the final award of Tax Credits. The sum of the third party debt encumbering the property may increase during subsequent reviews to reflect the actual amount.

**Significant Information / Additional Conditions:** None.

The proposed rents do not include any utility allowance. The owner will pay for all utilities.

**Resyndication and Resyndication Transfer Event:** None.

### **Standard Conditions**

If applicant is receiving tax-exempt bond financing from other than CalHFA, the applicant shall apply for a bond allocation from the California Debt Limit Allocation Committee’s next scheduled meeting, if not previously granted an allocation; shall have received an allocation from CDLAC; and, shall issue bonds within time limits specified by CDLAC.

The applicant anticipates financing more than 50% of the project aggregate basis with tax-exempt bond proceeds as calculated by the project tax professional. Therefore, the federal credit reserved for this project will not count against the annual ceiling.

State tax credit recipients are limited to cash distributions from project operations pursuant to California Revenue and Taxation Code Section 12206(d). By accepting the tax credit reservation, the applicant/owner is agreeing to comply with the statutory limitations and requirements.

TCAC makes the preliminary reservation only for the project specified above in the form presented, and involving the parties referred to in the application. No changes in the development team or the project as presented will be permitted without the express approval of TCAC.

The applicant must pay TCAC a reservation fee calculated in accordance with regulation. Additionally, TCAC requires the project owner to pay a monitoring fee before issuance of tax forms.

As project costs are preliminary estimates only, staff recommends that a reservation be made in the amount of federal credit and state credit shown above on condition that the final project costs be supported by itemized lender approved costs and certified costs after the buildings are placed in service.

All unexpended funds in reserve accounts established for the project must remain with the project to be used for the benefit of the property and/or its residents, except for the portion of any accounts funded with deferred developer fees.

All fees charged to the project must be within TCAC limitations. Fees in excess of these limitations will not be considered when determining the amount of credit when the project is placed-in-service.

If the applicant has requested the use of a CUAC utility allowance, TCAC's Compliance staff will review the CUAC documentation for this project prior to placed in service. Until written approval is received from TCAC, this project is not eligible to use a utility allowance based on the CUAC.

The applicant/owner shall be subject to underwriting criteria set forth in Section 10327 of the regulations through the final feasibility analysis performed by TCAC at placed-in-service.

Credit awards are contingent upon applicant's acceptance of any revised total project cost, qualified basis and tax credit amount determined by TCAC in its final feasibility analysis.

**CDLAC Additional Conditions**

The applicant/owner is required to comply with the CDLAC Resolution. At the time of the TCAC placed in service review, TCAC staff will verify that the project is in compliance with all applicable items of CDLAC Resolution Exhibit A.